

**CITY OF FORT PIERRE**

**AUDIT REPORT**

**DECEMBER 31, 2007**

**CITY OF FORT PIERRE  
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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Commission  
City of Fort Pierre  
Fort Pierre, South Dakota

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fort Pierre, South Dakota, as December 31, 2007, and for the year then ended, which collectively comprise the City of Fort Pierre's basic financial statements and have issued my report thereon dated June 19, 2008, which was modified due to a scope limitation regarding the aggregate discretely presented component unit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. I consider the deficiencies described in the accompanying schedule of current audit findings as number 2007-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

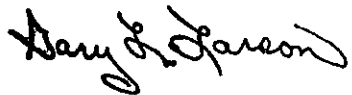
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider item number 2007-01 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City of Fort Pierre's response to the findings identified in my audit is described in the accompanying schedule of current audit findings. I did not audit the City of Fort Pierre's response, and, according, I express no opinion on it.

This report is intended solely for the information and use of the governing board and information of the management of the City of Fort Pierre the South Dakota Legislature and federal awarding agencies and pass- through entities and is not intended to be and should not be used by anyone other than these specified parties. However, as required by SDLC 4-11-11 this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Gary L. Larson". The signature is written in a cursive, flowing style.

June 19, 2008

# Gary L. Larson, CPA

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## INDEPENDENT AUDITOR'S REPORT

City Commission  
City of Fort Pierre  
Fort Pierre, South Dakota

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the City of Fort Pierre, South Dakota, as of December 31, 2007, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fort Pierre's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as indicated in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

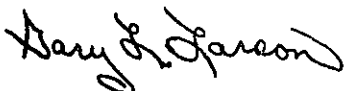
I was unable to obtain audited financial statements supporting the financial activities of the Fort Pierre Housing and Redevelopment Commission, nor was I able to satisfy myself as to those financial activities by other auditing procedures. Those financial activities are included in the component unit column and represent 100% of the assets and revenues of the component unit column.

Since I was unable to obtain audited financial statements supporting the activities of the Fort Pierre Housing and Redevelopment Commission and was not able to apply other auditing procedures to satisfy myself as to the reported revenues and expenses, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the discretely presented component unit.

Further in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fort Pierre, South Dakota, at December 31, 2007, the respective changes in financial position and cash flows where applicable thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with the Government Auditing Standards, I have also issued my report dated June 19, 2008 on my consideration of the City of Fort Pierre's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and to the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of my audit.

The City of Fort Pierre has not presented the Management's Discussion and Analysis (MD&A) or budgetary comparison information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.



June 19, 2008

**CITY OF FORT PIERRE  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

	<b>PRIMARY GOVERNMENT</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$2,122,801	\$362,036
Receivables	800,401	276,495
Inventories	41,428	535,604
Land held for resale	502,471	0
Internal balances	40,000	(40,000)
Other assets	38,805	0
Restricted assets:		
Cash and cash equivalents	95,655	746,341
Deposits	29,390	0
Capital assets:		
Land	965,794	163,577
Other capital assets, net of depreciation	5,563,232	11,827,289
<b>TOTAL ASSETS</b>	<b>\$10,199,977</b>	<b>\$13,871,342</b>
<b>LIABILITIES:</b>		
Accounts payable	\$32,533	\$99,416
Other current liabilities	1,705,925	79,419
Noncurrent liabilities:		
Due within one year	321,430	353,404
Due in more than one year	1,583,160	4,311,272
<b>TOTAL LIABILITIES</b>	<b>3,643,048</b>	<b>4,843,511</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	4,642,308	7,399,084
Restricted for:		
Cemetery	34,423	0
Debt service	95,655	746,341
Insurance	29,390	0
Unrestricted	1,755,153	882,406
<b>TOTAL NET ASSETS</b>	<b>6,556,929</b>	<b>9,027,831</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$10,199,977</b>	<b>\$13,871,342</b>

The accompanying notes to financial statements  
are an integral part of this statement.



<u>TOTAL</u>	<u>Component Unit</u>
\$2,484,837	\$0
1,076,896	0
577,032	0
502,471	0
0	0
38,805	0
841,996	0
29,390	0
1,129,371	0
17,390,521	0
<u>\$24,071,319</u>	<u>\$0</u>

\$131,949	\$0
1,785,344	0
674,834	0
5,894,432	0
<u>8,486,559</u>	<u>0</u>

12,041,392	0
34,423	0
841,996	0
29,390	0
2,637,559	0

<u>15,584,760</u>	<u>0</u>
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<u>\$24,071,319</u>	<u>\$0</u>
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**CITY OF FORT PIERRE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Functions/Programs	Expenses	PROGRAM REVENUES	
		Changes for Services	Operating Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>			
Governmental Activities:			
General government	\$259,324	\$66,547	\$0
Public safety	306,507	2,144	0
Public works	679,453	73,643	37,808
Health and welfare	31,016	474	0
Culture and recreation	329,534	31,031	0
Conservation and development	258,005	208,598	0
*Interest on long-term debt	103,340	0	0
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>1,967,179</b>	<b>382,437</b>	<b>37,808</b>
Business-type Activities:			
Water	433,581	226,547	0
Electric	1,547,193	1,881,642	0
Sanitary sewer	483,095	267,372	0
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>2,463,869</b>	<b>2,375,561</b>	<b>0</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$4,431,048</b>	<b>\$2,757,998</b>	<b>\$37,808</b>
Component Unit:			
Housing and Redevelopment Commission	\$23,933	\$0	\$23,933

\* The City does not have interest expense related to the governmental functions. This amount includes indirect interest on general long-term debt.

**GENERAL REVENUES:**

Property taxes  
Sales taxes  
State shared revenues  
Unrestricted investment earnings  
Other general revenues  
**TRANSFERS**

Total General Revenues and Transfers

Change in net assets

Net Assets-beginning,

**NET ASSETS-ending**

The accompanying notes to financial statements are an integral part of this statement.

**NET (EXPENSE) REVENUE AND  
CHANGE IN NET ASSETS**

<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$0	(\$192,777)	\$0	(\$192,777)	\$0
0	(304,363)	0	(304,363)	0
189,911	(378,091)	0	(378,091)	0
0	(30,542)	0	(30,542)	0
0	(298,503)	0	(298,503)	0
0	(49,407)	0	(49,407)	0
0	(103,340)	0	(103,340)	0
189,911	(1,357,023)	0	(1,357,023)	0
0	0	(207,034)	(207,034)	0
0	0	334,449	334,449	0
0	0	(215,723)	(215,723)	0
0	0	(88,308)	(88,308)	0
<b>\$189,911</b>	<b>(\$1,357,023)</b>	<b>(\$88,308)</b>	<b>(\$1,445,331)</b>	<b>\$0</b>
<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\$622,902	\$0	\$622,902	\$0
876,749	0	876,749	0
12,646	0	12,646	0
58,210	25,847	84,057	0
86,111	0	86,111	0
(111,694)	111,694	0	0
1,544,924	137,541	1,682,465	0
187,901	49,233	237,134	0
6,369,028	8,978,598	15,347,626	0
<b>\$6,556,929</b>	<b>\$9,027,831</b>	<b>\$15,584,760</b>	<b>\$0</b>

**CITY OF FORT PIERRE**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2007**

	General Fund	US COE Fund	ST/VIS Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$383,330	\$1,706,368	\$0
Taxes receivable-			
Delinquent	8,264	0	0
Accounts receivable	18,730	0	0
Special assessments receivable-current	535	0	0
Special assessments receivable-delinquent	32,023	0	0
Special assessments receivable-deferred	594,309	0	0
Due from other governments	130,958	0	0
Due from other funds	2,825	0	0
Deposits	29,390	0	0
Supply inventory	41,428	0	0
Land held for resale	502,471	0	0
Restricted cash	95,655	0	0
Prepaid expenses	1,600	0	0
<b>TOTAL ASSETS</b>	<b>\$1,841,518</b>	<b>\$1,706,368</b>	<b>\$0</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$30,895	\$444	\$0
Contracts payable	1,194	0	0
Deferred revenue	635,131	1,705,924	0
Due to other fund	0	0	42,825
<b>Total Liabilities</b>	<b>667,220</b>	<b>1,706,368</b>	<b>42,825</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Debt service	95,655	0	0
Deposits	29,390	0	0
Inventory	41,428	0	0
Land held for resale	502,471	0	0
Unreserved:			
Undesignated (deficit)	505,354	0	(42,825)
Special revenue	0	0	0
Permanent fund	0	0	0
<b>Total Fund Balance</b>	<b>1,174,298</b>	<b>0</b>	<b>(42,825)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$1,841,518</b>	<b>\$1,706,368</b>	<b>\$0</b>

The accompanying notes to financial statements are an  
integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$33,103	\$2,122,801
0	8,264
0	18,730
1,774	2,309
716	32,739
4,772	599,081
8,320	139,278
80,000	82,825
0	29,390
0	41,428
0	502,471
0	95,655
1,250	2,850
<b>\$129,935</b>	<b>\$3,677,821</b>

\$0	\$31,339
0	1,194
7,262	2,348,317
0	42,825
<b>7,262</b>	<b>2,423,675</b>

0	95,655
0	29,390
0	41,428
0	502,471
0	462,529
88,250	88,250
34,423	34,423
<b>122,673</b>	<b>1,254,146</b>
<b>\$129,935</b>	<b>\$3,677,821</b>

**CITY OF FORT PIERRE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET**  
**ASSETS**  
**DECEMBER 31, 2007**

Total Fund Balances-Government Funds	\$1,254,146
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	6,529,026
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Long-term liabilities, including bonds payable, capital leases payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds	(1,904,590)
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Property taxes receivable and special assessments are reported in the period to be financed by the property tax levy for both the governmental funds and the statement of net assets, but in the funds statement of net assets, "available" (within a 30 day period) are offset with deferred revenue	642,392
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Prepaid insurance is not recorded in the funds statement because it is on the modified accrual basis of accounting	<u>35,955</u>
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Net Assets-Governmental Funds	<u><u>\$6,556,929</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**CITY OF FORT PIERRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	General Fund	US COE Fund	ST/VS Fund
Revenues:			
Taxes-			
General property taxes	\$620,162	\$0	\$0
General sales taxes	815,611	0	0
Penalties and interest	1,502	0	0
Licenses and permits	35,525	0	0
Intergovernmental Revenue			
Federal grants	13,000	92,098	0
State grants	24,808	0	0
State shared revenues	54,396	0	0
County shared revenues	4,444	0	0
Charges for Goods or Services			
General government	66,547	0	0
Highways and streets	25,522	0	0
Sanitation	1,927	0	0
Health	474	0	0
Culture and recreation	30,531	0	0
Economic development	208,598	0	0
Fines and Forfeits			
Court fines and costs	1,669	0	0
Other	475	0	0
Miscellaneous Revenue			
Interest earned	56,438	0	0
Special assessments	177,356	0	0
Contributions	13,641	0	0
Other	36,615	0	330
Total Revenue	<u>\$2,189,241</u>	<u>\$92,098</u>	<u>\$330</u>

The accompanying notes to financial statements are an  
integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$0	\$620,162
61,138	876,749
0	1,502
0	35,525
0	105,098
0	24,808
0	54,396
0	4,444
0	66,547
0	25,522
0	1,927
0	474
500	31,031
0	208,598
0	1,669
0	475
1,772	58,210
586	177,942
0	13,641
0	36,945
<hr/>	<hr/>
\$63,996	\$2,345,665



**CITY OF FORT PIERRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	General Fund	US COE Fund	ST/VS Fund
Expenditures:			
General Government:			
Executive	\$41,168	\$0	\$0
Elections	13	0	0
Financial administration	201,570	0	0
Other	31,932	0	0
Public Safety:			
Police	215,056	0	0
Fire	73,039	0	0
Other	14,993	0	0
Public Works:			
Highways and streets	937,565	0	0
Sanitation	23,872	55,326	0
Electric	0	56,368	0
Transit	32,000	0	0
Cemetery	0	0	0
Health and Welfare:			
Health	31,016	0	0
Culture and Recreation:			
Recreation	64,043	0	0
Parks	203,403	0	0
Libraries	4,952	0	0
Auditorium	6,237	0	0
Museum	8,785	0	0
Conservation and Development:			
Economic development	182,325	0	0
Debt Service	360,059	0	0
Total Expenditures	<u>\$2,432,028</u>	<u>\$111,694</u>	<u>\$0</u>
 Net Change in Fund Balances	 (242,787)	 (19,596)	 330
 FUND BALANCE, JANUARY 1, 2007	 <u>1,417,085</u>	 <u>19,596</u>	 <u>(43,155)</u>
 FUND BALANCE, DECEMBER 31, 2007	 <u><u>\$1,174,298</u></u>	 <u><u>\$0</u></u>	 <u><u>(\$42,825)</u></u>

The accompanying notes to financial statements are an  
integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$0	\$41,168
0	13
0	201,570
0	31,932
0	215,056
0	73,039
0	14,993
0	937,565
0	79,198
0	56,368
0	32,000
498	498
0	31,016
0	64,043
0	203,403
0	4,952
0	6,237
0	8,785
75,680	258,005
0	360,059
<u>\$76,178</u>	<u>\$2,619,900</u>
(12,182)	(274,235)
<u>134,855</u>	<u>1,528,381</u>
<u>\$122,673</u>	<u>\$1,254,146</u>

**CITY OF FORT PIERRE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

Net Changes in Fund Balances-Total Governmental Funds	(\$274,235)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	268,949
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	256,719
Property tax revenues and special assessments are reported in the period to be financed by the property tax levy or special assessment for both the governmental funds and the governmental activities, but in the funds statement, any amounts that are not "available" are offset with deferred revenue.	(78,891)
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(6,078)
Prepaid insurance cost is deferred in the activities statement.	<u>21,437</u>
Change in Nets Assets of Governmental Activities	<u><u>\$187,901</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF FORT PIERRE**  
**BALANCE SHEET - PROPRIETARY FUNDS**  
**DECEMBER 31, 2007**

	ENTERPRISE FUNDS		
	Water Fund	Electric Fund	Sanitary Sewer Fund
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash	\$0	\$323,116	\$38,920
Accounts receivable	31,155	218,833	26,507
Supply inventory	33,233	494,837	7,534
Due from other funds	0	105,617	0
<b>Total Current Assets</b>	<b>64,388</b>	<b>1,142,403</b>	<b>72,961</b>
<b>Noncurrent Assets:</b>			
Restricted cash and cash equivalents	51,057	695,284	0
<b>Capital Assets:</b>			
Land	27,587	115,999	19,991
Buildings	810,296	3,802,896	0
Improvements other than buildings	2,279,778	2,224,668	6,591,070
Machinery and equipment	72,284	326,731	159,696
Accumulated depreciation	(1,338,619)	(1,778,114)	(1,323,397)
<b>Total Noncurrent Assets</b>	<b>1,902,383</b>	<b>5,387,464</b>	<b>5,447,360</b>
<b>TOTAL ASSETS</b>	<b>\$1,966,771</b>	<b>\$6,529,867</b>	<b>\$5,520,321</b>

The accompanying notes to financial statements are an  
integral part of this statement.

Total

\$362,036

276,495

535,604

105,617

1,279,752

746,341

163,577

4,613,192

11,095,516

558,711

(4,440,130)

12,737,207

\$14,016,959

**CITY OF FORT PIERRE**  
**BALANCE SHEET - PROPRIETARY FUNDS**  
**DECEMBER 31, 2007**

	<b>ENTERPRISE FUNDS</b>		
	<b>Water Fund</b>	<b>Electric Fund</b>	<b>Sanitary Sewer Fund</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$684	\$96,582	\$2,150
Due to other funds	105,617	0	40,000
Deferred revenue	8,117	0	0
Customer deposits	2,250	69,052	0
Current portion of long-term debt	65,746	231,145	56,513
<b>Total Current Liabilities</b>	<b>182,414</b>	<b>396,779</b>	<b>98,663</b>
Non-current Liabilities:			
Bonds payable:			
Revenue	123,430	3,297,402	718,747
Accrued leave payable	2,763	8,965	2,763
Other long-term debt	59,106	57,333	40,763
<b>Total Non-current Liabilities</b>	<b>185,299</b>	<b>3,363,700</b>	<b>762,273</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,605,808	1,159,170	4,634,106
Restricted net assets restricted for:			
Revenue bond debt service	51,057	695,284	0
Unrestricted net assets	(57,807)	914,934	25,279
<b>Total Net Assets</b>	<b>1,599,058</b>	<b>2,769,388</b>	<b>4,659,385</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$1,966,771</b>	<b>\$6,529,867</b>	<b>\$5,520,321</b>

The accompanying notes to financial statements are an  
integral part of this statement.

Total

\$99,416

145,617

8,117

71,302

353,404

677,856

4,139,579

14,491

157,202

4,311,272

7,399,084

746,341

882,406

9,027,831

\$14,016,959

**CITY OF FORT PIERRE**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	ENTERPRISE FUNDS		
	Water Fund	Electric Fund	Sanitary Sewer Fund
OPERATING REVENUES:			
Charges for goods and services			
securing payment of revenue bonds	\$226,547	\$1,881,642	\$267,372
Total Operating revenue	<u>226,547</u>	<u>1,881,642</u>	<u>267,372</u>
OPERATING EXPENSES:			
Personal services	133,958	312,361	114,241
Cost of sales	0	828,909	0
Other current expense	198,848	121,989	124,582
Depreciation	97,669	150,489	215,203
Total Operating Expenses	<u>430,475</u>	<u>1,413,748</u>	<u>454,026</u>
Operating Income (Loss)	<u>(203,928)</u>	<u>467,894</u>	<u>(186,654)</u>
Non-operating Revenue (Expense)			
Interest earned	0	25,847	0
Interest expense	(3,106)	(133,445)	(29,069)
Total Non-operating Revenue (Expense)	<u>(3,106)</u>	<u>(107,598)</u>	<u>(29,069)</u>
Net Income (Loss) before Contributions	(207,034)	360,296	(215,723)
Capital contributions	<u>0</u>	<u>56,368</u>	<u>55,326</u>
Change in Net Assets	(207,034)	416,664	(160,397)
NET ASSETS, BEGINNING	<u>1,806,092</u>	<u>2,352,724</u>	<u>4,819,782</u>
NET ASSETS, ENDING	<u>\$1,599,058</u>	<u>\$2,769,388</u>	<u>\$4,659,385</u>

The accompanying notes to financial statements are an  
integral part of this statement.



Total

\$2,375,561

2,375,561

560,560

828,909

445,419

463,361

2,298,249

77,312

25,847

(165,620)

(139,773)

(62,461)

111,694

49,233

8,978,598

\$9,027,831

**CITY OF FORT PIERRE**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	ENTERPRISE FUNDS		
	Water Fund	Electric Fund	Sanitary Sewer Fund
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$225,371	\$1,853,529	\$266,495
Cash receipts for interfund services	0	55,849	0
Payments to suppliers	(151,127)	(1,223,543)	(89,505)
Cash payments for interfund services	(51,149)	(41,219)	(36,006)
Payments to employees	(132,705)	(309,292)	(112,988)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(109,610)</b>	<b>335,324</b>	<b>27,996</b>
<b>Cash Flows from Non-capital Financing Activities:</b>			
Loans (to) from other funds	98,692	(198,725)	0
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital contributions	0	56,368	55,326
Proceeds of capital debt	197,500	750,000	50,000
Purchase of capital assets	(146,880)	0	(54,447)
Debt principle paid	(42,369)	(161,174)	(42,989)
Debt interest paid	(3,106)	(133,445)	(29,069)
<b>Cash Flows from Investing Activities:</b>			
Cash received for interest	0	25,847	0
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(5,773)</b>	<b>674,195</b>	<b>6,817</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>56,830</b>	<b>344,205</b>	<b>32,103</b>
<b>Cash and Cash Equivalents End of Year</b>	<b>\$51,057</b>	<b>\$1,018,400</b>	<b>\$38,920</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	(\$203,928)	\$467,894	(\$186,654)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation expense	97,669	150,489	215,203
<b>Changes in Assets and Liabilities:</b>			
Receivables	(511)	28,202	(877)
Inventories	0	(303,063)	0
Accounts and other payables	(5,593)	(10,801)	(929)
Accrued leave payable	1,253	3,069	1,253
Deposits	1,500	(466)	0
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(\$109,610)</b>	<b>\$335,324</b>	<b>\$27,996</b>

The accompanying notes to financial statements are an  
integral part of this statement.

Total
<hr/>
\$2,345,395
55,849
(1,464,175)
(128,374)
(554,985)
<hr/>
253,710

(100,033)

111,694  
997,500  
(201,327)  
(246,532)  
(165,620)

25,847
<hr/>

675,239

433,138
<hr/>

\$1,108,377
<hr/>
<hr/>

\$77,312

463,361

26,814  
(303,063)  
(17,323)

5,575
1,034
<hr/>

\$253,710
<hr/>
<hr/>

**CITY OF FORT PIERRE**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**DECEMBER 31, 2007**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$214,535</u>
<b>Total Assets</b>	<u><u>\$214,535</u></u>
<b>LIABILITIES</b>	
Amounts held for others	<u>\$214,535</u>
<b>Total Liabilities</b>	<u>214,535</u>
<b>NET ASSETS</b>	<u>0</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$214,535</u></u>

The accompanying notes to financial statements  
are an integral part of this statement

**CITY OF FORT PIERRE  
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the City of Fort Pierre consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The Primary Government Unit is the City of Fort Pierre. The City participates in two cooperative units:

- 1.) Stanley Country Law Enforcement (with Stanley Country), see Note 16 for specific disclosure.
- 2.) Expo Building (Hughes County, Stanley County, and City of Pierre). See detailed Note 15 for specific disclosure.

The City has created a Housing and Redevelopment Commission under the authority of South Dakota Codified Law (SDCL 11-7-7). The City created this Housing and Redevelopment Commission for the purpose of providing low income housing assistance to its citizens through the "HUD" program. The City has entered into a "Joint Powers" agreement with the City of Pierre Housing and Redevelopment Commission, whereby that commission would act as an Agent to administer their HUD program.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments.

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b. Basis of Presentation:

*Government-wide Statements:*

The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. The statements distinguish between the governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1a above and may be classified as either governmental or business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the funds operations.

The funds of the financial reporting entity are described below:

**Governmental Funds:**

**General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entertainment Tax Fund - to account for a 3<sup>rd</sup> cent sales tax on motel rooms, restaurants and bars which may only be used for the promotion of the City, land acquisitions, civic centers and auditoriums and debt service related to these acquisitions (SDCL 10-52-8). This is not a major fund.

Second One Percent Sales Tax Fund - a fund established by ordinance to account for a portion of the City's general sales tax. Proceeds from this tax are to be used for retiring capital improvement indebtedness for both Governmental and Business Type Activity debt. This is not a major fund.

**Capital Project Funds** - capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations or other governments).

US COE Fund - The US COE Fund was established by the City according to the Construction, Relocation, and Alteration of Facilities Agreement with the US COE to account for the receipt and expenditure of federal grant monies obtained from the Department of Defense - U.S. Army Corps of Engineers. This is a major fund.

ST/VS Fund - This fund was established to account for the receipts and expenditures of capital contributions for two development projects: Stanley Townsite (ST) and Vintage Square (VS). This is a major fund.

**Permanent Funds** - Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principle, may be used for purposes that support the City's programs - that is for the benefit of the City and its citizenry.



**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cedar Hill Cemetery Perpetual Care Fund - to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery (SDCL 9-32-18). This is not a major fund.

**PROPRIETARY FUNDS:**

**Enterprise Funds** - enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expensed incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

The City reports the following major enterprise funds:

**Enterprise Funds:**

Water Fund - financed primarily by user charges this fund accounts for the construction and operation of the municipal waterworks system and related facilities (SDCL 9-47-1).

Electric Fund - to account for the construction and operation of the municipal electrical system and related facilities (SDCL 9-39-1 and 9-39-96).

Sanitary Sewer Fund - to account for the construction and operation of the municipal sewer system and related facilities (SDCL 9-48-2).

**CITY OF FORT PIERRE  
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Fiduciary Funds:**

Agency Funds - Agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The City's agency funds include three Special Assessment Funds and the Stanley County Law Enforcement Fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

**Measurement Focus:**

*Government-wide Financial Statements:*

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

*Fund Financial Statements:*

In the fund financial statements, the "current financial resources" measurement focus and the modified accruals basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Basis of Accounting:**

*Government-wide Financial Statements:*

In the government-wide Statement of Net Assets and Statement of Activities, governmental, business-type and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

*Fund Financial Statements:*

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the City of Fort Pierre, the length of that cycle is 60 days. The revenues which are accrued at December 31, 2007 are sales tax, real estate taxes, state shared revenues and miscellaneous other revenues.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principle and interest on general long-term debt which are recognized when due.

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

**CITY OF FORT PIERRE  
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including employee health insurance, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund so that expenses are reported only in the function to which they relate.

*Fund Financial Statements:*

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources".

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as "Improvements other than Buildings".

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in government-wide or fund financial statements.

Government-wide Statements: All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to

**CITY OF FORT PIERRE**  
**NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

initial capitalization, improvements or betterments that are significant and which extend to useful life of a capital asset are also capitalized.

The total December 31, 2007 balance of capital assets for governmental activities includes approximately twenty-five percent for which the costs were determined by estimates of the original costs. The total December 31, 2007 balance of capital assets for business-type activities includes approximately twenty-five percent for which costs were also estimates of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon or by using deflated current replacement costs.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Accumulated depreciation is reported on the government-wide Statement of Net Assets and on each proprietary fund's Statement of Net Assets/Balance Sheet. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ All	N/A	N/A
Improvements other than buildings	5,000	Straight-line	10-50 years
Buildings	5,000	Straight-line	20-33 years
Machinery and Equipment	5,000	Straight-line	5-25 years
Infrastructure	5,000	Straight-line	10-50 years
Utilities property and improvements	5,000	Straight-line	10-50 years

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of compensated absences, revenue special assessment bonds payable and capital leases and other notes payable.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principle and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The City pools the cash resources of its funds for cash management purpose. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash equivalents for the purpose of the Statement of Cash Flows.



**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Equity Classifications:

*Government-wide Statements:*

Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisitions, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints places on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

k. Application of Net Assets:

It is the City's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1, and 7-20-1.2, and may be in the form of demand or time deposits.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that banks public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. It is the City's policy to deposit all interest revenue to the fund making the investment.

The actual bank balances as of December 31, 2007 were as follows:

Insured (FDIC/NCUA)	\$ 237,161
Uninsured	<u>3,224,345</u>
Total Deposits	<u>\$ 3,491,506</u>

**CITY OF FORT PIERRE  
NOTES TO FINANCIAL STATEMENTS**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (continued)

The carrying amount of deposits at December 31, 2007 was \$3,541,368.

Reconciliation of deposits to Government-wide Statement of Net Assets:

Cash and cash equivalents	\$ 3,326,833
Add: Agency fund cash (not included in Government-wide statement of Net Assets)	<u>214,535</u>
	<u>\$ 3,541,368</u>

Investments - In general, SDCL 4-5-6 permits City funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly including, without limitation, United States treasury bills, notes, bonds, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government; provided that, for other than permanent, trust, retirement, building and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase; or (b) repurchase agreements fully collateralized by securities described in (a) and meeting the requirements of Section 4-5-9, if the repurchase agreements are entered into only with those primary reporting dealers that report to the Federal Reserve Bank of New York and with the one hundred largest United States commercial banks, as measured by domestic deposits; or (c) in shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (continued)

Federal Securities Act of 1933 and whose only investments are in securities described in (a) and repurchase agreements described in (b).

Investments are stated at fair value. Accordingly, changes in market value of investments at year-end are reflected as a component of earnings on investments.

**Custodial Credit Risk - Deposits** - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized,
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The City's deposits were not exposed to any of the risks above during 2007.

**Interest Rate Risk** - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices. As of December 31, 2007, the City had no investments.

**Concentration of Credit Risk** - The City places no limit on the amount that may be invested in any one issuer.

State law allows income from deposits and investment to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

**CITY OF FORT PIERRE  
NOTES TO FINANCIAL STATEMENTS**

**3. RECEIVABLES AND PAYABLES**

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

**4. INVENTORY**

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

The General Fund also owns certain plots of land which were acquired for industrial development and are held for resale.

Inventory acquired for supplies or resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

*Government-wide Financial Statements:*

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

*Fund Financial Statements:*

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories and land held for resale are off-set by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

**CITY OF FORT PIERRE  
NOTES TO FINANCIAL STATEMENTS**

**5. DEFERRED REVENUE**

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

**6. PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

**7. CHANGES IN CAPITAL ASSETS**

A summary of changes in fixed assets for the year ended December 31, 2007 follows:

	Balance 1/1/07		Increases	Decreases	Balance 12/31/07
<b>Governmental Activities:</b>					
Capital Assets					
Not being					
Depreciated:					
Land	\$ 965,794	\$	-	\$	965,794
Construction					
In progress:	32,800		-	32,800	-
	<u>\$ 998,584</u>	<u>\$</u>	<u>-</u>	<u>\$ 32,800</u>	<u>\$ 965,794</u>
Capital Assets					
Being Depreciated					
Buildings	\$ 493,640	\$	-	-	\$ 493,640
Improvements					
Other than					
Buildings	5,481,809		409,011	-	5,890,820

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

7. CHANGES IN CAPITAL ASSETS (continued)

	Balance 1/1/07	Increases	Decreases	Balance 12/31/07
Machinery and Equipment	517,810	22,190	-	540,000
Totals	6,493,259	431,201	-	6,924,460
Less accumulated Depreciation for:				
Building	160,124	12,131	-	172,255
Improvements	686,677	282,000	-	968,677
Machinery and Equipment	175,591	44,705	-	220,296
Total	1,022,392	338,836	-	1,361,228
Total Capital Assets being Depreciated-Net	\$ 5,470,867	\$ 92,365	\$ -	\$ 5,563,232
Governmental Activity Capital Assets Net	\$ 6,469,461	\$ 92,365	\$ 32,800	\$ 6,529,026

Depreciation expense was charged to functions as follows:

Public Safety	\$ 9,034
Public Works	230,455
Culture and Recreation	99,347
	<u>\$ 338,836</u>

**Business-type Activities:**

Capital Assets Not being Depreciated				
Land	\$ 163,577	\$ -	\$ -	\$ 163,577
Total	163,577	-	-	163,577

**CITY OF FORT PIERRE  
NOTES TO FINANCIAL STATEMENTS**

7. CHANGES IN CAPITAL ASSETS (continued)

	Balance 1/1/07	Increases	Decreases	Balance 12/31/07
<b>Business-type Activities:</b>				
Capital Assets				
Being Depreciated				
Buildings	4,613,192	-	-	4,613,192
Improvements				
Other than				
Buildings	10,915,618	179,898	-	11,095,516
Machinery and				
Equipment	558,711	-	-	558,711
Totals	16,087,521	179,898	-	16,267,419
Less accumulated				
Depreciation for:				
Building	\$ 1,108,227	\$ 76,402	\$ -	\$ 1,184,629
Improvements	2,565,932	346,955	-	2,912,887
Machinery and				
Equipment	302,610	40,004	-	342,614
Total	3,976,769	463,361	-	4,440,130
Total Capital				
Assets being				
Depreciated-				
Net	12,110,752	(283,463)	-	11,827,289
Business-type Activity				
Capital Assets				
Net	\$12,274,329	\$(283,463)	\$ -	\$11,990,866

Depreciation expense was charged to functions as follows:

Water	\$ 97,669
Electric	150,489
Sanitary Sewer	215,203
	<u>\$ 463,361</u>



**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

**8. LONG-TERM DEBT**

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Government Activities:</b>					
Bonds Payable:					
Revenue	\$ 1,287,551	\$ -	\$ 119,521	\$ 1,168,030	\$ 172,508
Special Assessment	782,598	-	119,421	663,177	121,589
Financing (Capital Acquisition)					
Leases	73,288	-	17,777	55,511	18,397
Total Debt	<u>2,143,437</u>	<u>-</u>	<u>256,719</u>	<u>1,886,718</u>	<u>312,494</u>
Accrued Compensated Absences- Governmental Funds	<u>11,794</u>	<u>11,978</u>	<u>5,900</u>	<u>17,872</u>	<u>8,936</u>
Total Governmental Activities	<u>2,155,231</u>	<u>11,978</u>	<u>262,619</u>	<u>1,904,590</u>	<u>321,430</u>
<b>Business-type Activities:</b>					
Bonds Payable:					
Revenue	\$ 3,791,635	\$ 875,000	\$ 225,363	\$ 4,441,272	\$ 301,693
Special Assessment	-	122,500	-	122,500	22,631
Other	56,108	-	12,199	43,909	5,303
Financing (Capital Acquisition)					
Leases	\$ 36,980	\$ -	\$ 8,970	\$ 28,010	\$ 9,283
Total Debt	<u>3,884,723</u>	<u>997,500</u>	<u>246,532</u>	<u>4,635,691</u>	<u>338,910</u>
Accrued Compensated Absences- Business-type Funds	<u>23,410</u>	<u>17,275</u>	<u>11,700</u>	<u>28,985</u>	<u>14,494</u>

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

8. LONG-TERM DEBT (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Total Business-type Activities	<u>3,908,133</u>	<u>1,014,775</u>	<u>258,232</u>	<u>4,664,676</u>	<u>353,404</u>
GRAND TOTAL	<u>\$6,063,364</u>	<u>\$1,026,753</u>	<u>\$ 520,851</u>	<u>\$ 6,569,266</u>	<u>\$ 674,834</u>

Debt payable at December 31, 2007 is comprised of the following:

GOVERNMENT ACTIVITY DEBT:

Revenue Bonds:

Sales Tax Revenue Bonds, Series 2005,  
matures in 12/09/10; 3.95% interest rate;  
payment to be financed from the General Fund \$ 62,333

Sales Tax Revenue Bonds, Series 2006,  
matures in 11/20/18; 4.97% interest rate,  
payment to be made by the General Fund \$ 669,184

Sales Tax Revenue Bonds, Series 2003,  
matures May 16, 2013, 4.07% interest rate,  
payment to be financed by the General Fund 436,513

Total Revenue Bonds \$1,168,030

Special Assessment Bonds:

Series 2004 Special Assessment Bond,  
interest rate of 3.25%, final payment  
due November 15, 2009. This debt will  
be repaid by the proceeds from the sale  
of lots at Broken Timber Addition \$ 89,109

Series 2004 Special Assessment Bond,  
Interest rate of 3.85%, final payment  
due November 1, 2014. This debt will  
be repaid by the proceeds from the sale  
of lots at the Teton Island Addition 574,068

Total Special Assessments Debt \$ 663,177

**CITY OF FORT PIERRE  
NOTES TO FINANCIAL STATEMENTS**

8. LONG-TERM DEBT (continued)

Financing (Capital Acquisition) Leases:

Street Sweeper, due in annual payments of \$20,051, including 3.5% interest, due in 2010, payments to be made by the General Fund

\$ 55,511

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principle	\$109,006
Interest	<u>14,249</u>
	<u>\$123,255</u>

Compensated Absences:

The liability for compensated absences represents leave benefits earned as of December 31, 2007. This will be paid by the General Fund

\$ 17,872

TOTAL GOVERNMENTAL ACTIVITY

\$1,904,590

BUSINESS ACTIVITY DEBT

Revenue Bonds:

Water Revenue Bonds Series 2003, matures May 16, 2008, 3.83% interest rate, payment financed from the Water Fund

\$ 16,856

Series 2004 State Revolving Fund (SRF)  
Sanitary Sewer, matures 06/01/26; 3.5% interest. Debt will be repaid from the Sanitary Sewer Fund

419,644

Series 2002 State Revolving Fund (SRF)  
Sanitary Sewer, maturity date April 1, 2008, 3.5% interest. Debt is repaid from the Sanitary Sewer Fund

343,610

**CITY OF FORT PIERRE  
NOTES TO FINANCIAL STATEMENTS**

8. LONG-TERM DEBT (continued)

BUSINESS ACTIVITY DEBT

Series 2005 Water Revenue Bonds, interest rate of 3.95%, due December 9, 2010. Paid by the Water Fund	31,162
Electric Surcharge Revenue Bonds, Series 2002, matures December 1, 2018, 4.64% interest rate, payment to be financed from Electric Fund	2,755,000
Series 2007 Water Revenue Bond, matures August 22, 2012, interest rate of 4.67%, payments to be made by the Water Fund	125,000
Series 2007 Electric Revenue Bond, matures October 25, 2019, interest rate of 4.77%, payments to be made by the Electric Fund	<u>750,000</u>
Total Revenue Bonds	<u>4,441,272</u>
Series 2007 Special Assessment Bonds, matures September 19, 2012, interest rate of 3.93%, payments to be made 60% by the Water Fund and 40% by the Sewer Fund. (These will be partially financed by special assessments, but will also be paid from revenues of the applicable enterprise funds)	<u>122,500</u>
Other:	
Transmission Capacity Agreement with West Central Electric Cooperative, maturity date September, 2015 2% interest rate, debt is repaid from the Electric Fund	<u>\$ 43,909</u>
Capital Acquisition Lease:	
Mini-excavator, matures 2010, 3.5% interest rate, payment to be paid from the Electric Fund	<u>28,010</u>

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

8. LONG-TERM DEBT (continued)

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principle	\$ 55,003
Interest	<u>7,190</u>
	<u>\$ 62,193</u>

The principle amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the estimated useful-life of the asset, or the lease term (where title never transfers), as appropriate.

Compensated Absences	<u>28,985</u>
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These are paid from each enterprise fund.

TOTAL BUSINESS TYPE ACTIVITY	<u>\$4,664,676</u>
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GRAND TOTAL	<u>\$6,569,266</u>
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The annual requirements to amortize all debt outstanding as of December 31, 2007 excluding compensated absences is as follows:

Annual Requirements to Amortize Long-term Debt  
December 31, 2007

Governmental Activities:

Year Ending December 31,	Revenue Bonds		Financing (Capital Acquisition) Lease	
	Principal	Interest	Principal	Interest
2008	\$ 172,508	\$ 38,220	\$ 18,397	\$ 1,654
2009	179,591	32,137	19,056	995
2010	186,958	23,770	18,058	317
2011	172,143	16,325		
2012	179,220	9,248	-	-
2013-2017	<u>277,610</u>	<u>5,637</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,168,030</u>	<u>\$ 125,337</u>	<u>\$ 55,511</u>	<u>\$ 2,966</u>

**CITY OF FORT PIERRE  
NOTES TO FINANCIAL STATEMENTS**

8. LONG-TERM DEBT (continued)

Annual Requirements to Amortize Long-term Debt  
December 31, 2007

Governmental Activities:

Year Ending December 31,	Special Assessments		Totals	
	Principal	Interest	Principal	Interest
2008	\$ 121,589	\$ 24,998	\$ 312,494	\$ 64,872
2009	123,797	20,582	322,444	53,714
2010	80,402	16,085	285,418	40,172
2011	81,950	12,989	254,093	29,314
2012	83,528	9,834	262,748	19,082
2013-2017	171,911	9,960	449,521	15,597
Total	<u>\$ 663,177</u>	<u>\$ 94,448</u>	<u>\$1,886,718</u>	<u>\$222,751</u>

Year Ending December 31,	Revenue Bonds		Financing (Capital Acquisition) Lease		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 3012693	\$ 195,062	\$ 9,283	\$ 835	\$22,631	\$ 4,594
2009	300,197	183,705	9,616	502	23,529	3,696
2010	320,781	171,664	9,111	160	24,463	2,762
2011	330,386	158,450	-	-	25,433	1,792
2012	346,025	144,313	-	-	26,444	781
2013- 2017	1,841,363	491,478	-	-	-	-
2018- 2022	899,353	86,122	-	-	-	-
2023- 2027	101,474	6,488	-	-	-	-
Total	<u>\$4,441,272</u>	<u>\$1,437,282</u>	<u>\$ 28,010</u>	<u>\$ 1,497</u>	<u>\$122,500</u>	<u>\$13,625</u>

**CITY OF FORT PIERRE  
NOTES TO FINANCIAL STATEMENTS**

8. LONG-TERM DEBT (continued)

Business-type Activities

Year Ending December 31,	Other		Totals	
	Principal	Interest	Principal	Interest
2008	\$ 5,303	\$ 839	\$ 338,910	\$ 201,330
2009	5,410	732	338,752	188,635
2010	5,519	623	359,874	175,209
2011	5,631	511	361,450	160,753
2012	5,744	398	378,213	145,492
2013-2017	16,302	490	1,857,665	491,968
2018-2022	-	-	899,353	86,122
2023-2027	-	-	101,474	6,488
Total	<u>\$ 43,909</u>	<u>\$ 3,593</u>	<u>\$4,635,691</u>	<u>\$1,455,997</u>

As of December 31, 2007, the City was acting as a fiscal agent for five special assessment issues having a total outstanding balance of \$1,345,971.

The City is liable neither directly nor indirectly for the preceding special assessments.

9. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2007 were:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 2,825	\$ -
ST/VS Fund	\$ -	\$ 42,825
2 <sup>nd</sup> penny Sales tax fund	80,000	-
Enterprise Funds:		
Water Fund	-	105,617
Electric Fund	105,617	-
Sanitary Sewer Fund	-	40,000
	<u>\$ 188,442</u>	<u>\$ 188,442</u>

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

9. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES  
(continued)

The above loans were due to a temporary cash overdrafts or to cash flow specific projects.

10. RETIREMENT PLAN

All employees, except for part-time, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P. O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

General employees are required by the state statute to contribute 6% of their salary to the plan, while public safety and judicial employees contribute at 8% and 9%, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2007, 2006 and 2005 were \$41,729, \$36,263, and 36,941, respectively, equal to the required contributions each year.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During the year ended December 31, 2007, the City managed its risks as follows:



**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

11. RISK MANAGEMENT (continued)

Employee Health Insurance:

The City purchases health insurance from a commercial carrier.

Workmen's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$325,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,675,000 per individual per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Liability:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

11. RISK MANAGEMENT (continued)

sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for automobile and general liability insurance.

The agreement with the SDPAA provides that the above coverage's will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of City's First Full Year	50%
End of City's Second Full Year	60%
End of City's Third Full Year	70%
End of City's Fourth Full Year	80%
End of City's Fifth Full Year	90%
End of City's Sixth Full Year and Thereafter	100%

As of December 31, 2007, the City has vested balance in the cumulative reserve fund of \$29,390.

The City carries a \$500 deductible for the automobile coverage and \$2,000 deductible for the liability coverage.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**CITY OF FORT PIERRE  
NOTES TO FINANCIAL STATEMENTS**

11. RISK MANAGEMENT (continued)

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

12. RESTRICTED NET ASSETS

The following table shows the net assets for other purposes as shown on the Statement of Net Assets:

<u>RESTRICTION</u>	<u>RESTRICTED BY</u>	<u>Amount</u>
Cemetery	Trust agreements	\$ 34,423
Debt Service	Debt Covenants	841,996
Insurance	Policy agreement	<u>29,590</u>
		<u>\$ 906,009</u>

13. JOINT OPERATIONS AND VENTURES

The City participates in an undivided interest, known as Exposition Building, which is a joint operation between the City of Pierre, Fort Pierre, Stanley and Hughes Counties for the construction and operation of a multiple use exposition building located at the Stanley County Fairgrounds in Fort Pierre, South Dakota. The primary use of the facility during winter months will be for hockey and multiple uses during other times of the year. Construction started in 1998 and was completed in 1999. Interest in the facility is as follows:

City of Pierre	35%
City of Fort Pierre	15%
Hughes County	35%
Stanley County	15%

The City's interest in the facility as of December 31, 2007 is reported as a capital asset. Hughes County is acting in the capacity of fiscal agent during the construction of the

**CITY OF FORT PIERRE**  
**NOTES TO FINANCIAL STATEMENTS**

13. JOINT OPERATIONS AND VENTURES (continued)

facility and currently, while the City of Pierre acted in the capacity of fiscal agent for parking lot storm sewer improvements. Financial statements for the joint operation are available from the Hughes County Finance Officer.

At December 31, 2007 this joint operation had total fund equity of \$35,091.

14. STANLEY COUNTY LAW ENFORCEMENT

Stanley County Law Enforcement, a joint venture, is intended to be a separate legal entity pursuant SDCL 1-24-19 and SDCL 9-12-4 for services including the enforcement of state and federal laws, county and city ordinances and regulation. Membership to the Law Enforcement Board includes two Council members. The City has an equity interest of 58% of the net assets. Separate financial statements for this joint venture are available from the Stanley County Auditor.

As of December 31, 2007, this joint venture had a total equity of \$111,930.

**CITY OF FORT PIERRE  
SCHEDULE OF CURRENT AUDIT FINDINGS**

FINDING NUMBER 2007-01:

A significant deficiency and material weakness is present due to a lack of segregation of duties in the revenue, expenditure and payroll functions.

**CRITERIA:**

To obtain adequate internal control, the duties of collecting and handling of cash must be segregated from the recording of cash transactions. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process. Various other accounting functions should be performed by different people to insure a proper segregation of duties.

**POSSIBLE ASSERTED EFFECT:**

Inaccurate financial statements and/or misappropriations of funds could result from a lack of segregation on duties.

**RECOMMENDATION:**

Management should remain aware of this situation and attempt to provide compensating controls wherever and whenever possible and practical.

**CITY RESPONSE:**

The City officials agree with this comment. The Mayor and City Commission are responsible for the corrective action plans for this comment. This comment is a result of the size of the City of Fort Pierre which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Fort Pierre management is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding the revenues, expenditures and payroll function continues to exist.

**CITY OF FORT PIERRE**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

Prior Audit Findings relative to Financial Statement Audit:

Finding NUMBER 2006-01 and 2005-01:

A material weakness was reported due to a lack of segregation of duties.

Status as of December 31, 2007:

The condition noted in prior audits is still applicable.

FINDING NUMBER 2006-03 and 2005-03:

Budgets were overspent.

Status as of December 31, 2007:

No budgets were overspent during 2007.

Prior Audit Findings relative to Federal Awards:

FINDING NUMBER 2006-02 and 2005-02:

A material weakness was reported due to a lack of segregation of duties.

Status as of December 31, 2007:

The condition noted in the prior audit is still applicable.